

Message Text

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43

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 COME-00 GSA-01 INT-05 TRSE-00

OPIC-03 CEA-01 STR-04 FRB-03 XMB-02 L-03 CIAE-00

INR-07 NSAE-00 /047 W

----- 030865

R 221156Z AUG 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 796

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

AMCONSUL CALCUTTA

LIMITED OFFICIAL USE NEW DELHI 11400

E.O. 11652: N/A

TAGS: EMIN, IN

SUBJECT: MICA

REF: STATE 197354

1. WE DISCUSSED WITH PREM KUMAR, MINISTRY OF COMMERCE, THE CONCERN OF THE MICA INDUSTRY ASSOCIATION ABOUT COMING TO DELHI ONLY FOR DISCUSSIONS. KUMAR INDICATED THAT THE BASIC DECISION HAS BEEN MADE ON THE 40-60 SPLIT AND IT WOULD BE DIFFICULT, FOR

POLITICAL REASONS, TO MODIFY IT. THERE IS ROOM FOR NEGOTIATIONS ON THE IMPLEMENTING DETAILS, HOWEVER. FOR INSTANCE, MITCO IEWWILLING TO CONSIDER FOREGOING THE 40-60 SPLIT FOR EACH CONTRACT AS LONG AS THE 40-60 SPLIT EXISTS FOR ONE FIRM'S TOTAL PURCHASES FOR ONE YEAR. THIS WOULD ELIMINATE THE NEED FOR TWO LETTERS OF CREDIT FOR EACH TRANSACTION. ALSO, IT MAY BE POSSIBLE TO EXEMPT SMALL VALUE TRANSACTIONS FROM THE 40-60 SPLIT REQUIREMENTS. CURRENTLY, UNDER EXISTING CONDITIONS THE PURCHASER CAN NEGOTIATE THE ENTIRE CONTRACT WITH THE PRIVATE EXPORTERS WITH PRIOR NOTIFICATION TO MITCO. WE SEE MERIT IN THE ASSOCIATION'S SENDING A DELEGATION TO DISCUSS THESE DETAILS.

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2. ON THE OTHER HAND THERE IS THE VIEW URGED ON US BY A LEADING INDIAN EXPORTERS, WHOSE JUDGMENT WE RESPECT, THAT IF THE US IMPORTERS HOLD OFF PURCHASES FOR ANOTHER FEW MONTHS THE GOI WILL CAVE IN ON THE 40-60 SPLIT. THIS IS A SLACK PERIOD IN THE MICA BUSINESS HERE AND CONTRACTS ARE NOT NORMALLY NEGOTIATED AGAIN UNTIL OCTOBER. IF THE DELEGATION WERE TO HOLD OFF COMING UNTIL THAT TIME IT WOULD HAVE MORE LEVERAGE.
SAXBE

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